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Retailers in Federal Cities Must Now Pay Operating Fees

Report Categories:

Agricultural Situation

Agriculture in the Economy

Retail Foods

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Report Highlights:

Starting from July 1, 2015, retailers operating in the federal cities of Moscow, St. Petersburg, and Sevastopol (Crimea) must pay a fixed trading fee after President Vladimir Putin signed a new law in December 2014. The tax is paid by organizations and individual entrepreneurs, except for those working on the patent system of taxation, and companies which pay the unified agricultural tax. The new fees will depend on the size, location and specialization of the stores. The companies will pay this fee on a quarterly basis and will be able to deduct it from the local part of their income tax payments. Moscow authorities expect to add roughly a billion rubles to the local budget but smaller retailers are worried about this additional burden placed on them.

General Information:

In December 2014, Russian President Vladimir Putin signed a new law that introduced a trading fee for all retailers in the federal cities (Moscow, St. Petersburg and Crimea's capital Sevastopol). Please follow the link ([GAIN report](#)) to see more information on this topic.

At the time of the law discussion it caused the controversy and disagreement of a number of business associations in Petersburg and Sevastopol. As a result, these two cities refused to adopt appropriate local laws to bring them in compliance which makes Moscow retailers the only ones paying the fee as July 1, 2015. According to the Russian government, this new law will force all companies out of the shadows to pay their taxes. The new trading fee is paid by organizations and individual entrepreneurs except for those working on the patent system of taxation and companies which pay the unified agricultural tax. The fee is not required to be paid by cinemas, theaters, museums, kiosks and religious organizations. Hairdressers, laundries, dry cleaners and other household services where trade is not the main source of income will also not have to pay the tax. Organizations that sell their products at trade fairs or through vending machines will be also exempt from additional trade fees.

The tax rates depend on the trade area of the enterprise and targets self-owned and rented space. For example, a small retail store (up to 50 square meters) in the Central District of Moscow will have to pay 60,000 rubles (\$1,060) each quarter. In other districts within the Moscow Ring Road – 30,000 (\$530), outside of Moscow – 21,000 (\$370). If the store area is larger than 50 sq. m. than 50 rubles is added to every square meter. For example, a regular hypermarket in Moscow which is 7,000 sq.m. will pay 407,500 rubles (\$7,200) quarterly. As for open-air markets, the fee is 50 rubles per 1 sq m. All tax rates can be found on the official website of the Department of Moscow Economic Policy and Development (http://www.depr.mos.ru/deyatelnost_departamenta/tax-policies/i-organization-trading-fee-what-is-the-sales-tax.php).

Within five working days (up to July 7) all Moscow entrepreneurs falling under the retail category needed to submit a notice of registration to the tax office as payers of the new trading fee. This could be done personally or electronically via Internet. The companies will be able to deduct the new trading fee from the local portion of their income tax payments. Thus, the largest and most profitable retailers are not too worried that the new fee will impact their financial results as the quarterly profit they generate usually exceeds the value of the local income tax. However, it could impact small and medium-size enterprises as the new fee must be paid regardless of profitability. In this situation it is expected that some less profitable stores in Moscow will close down or optimize their area. (Source: PMR).

Russian business representatives repeatedly express their opinion that crisis is not the right time for experiments. The Moscow branch of business associations "Support of Russia" considers that current situation is inappropriate for the introduction of the trading fee because the purchasing power of Russian consumers has considerably decreased and small business is on the brink of survival. According to the "Support of Russia", the introduction of the trading fee will affect 130,000 individual entrepreneurs and companies in Moscow.

